

FINANCIAL STATEMENTS

BOROUGH OF EMMAUS

DECEMBER 31, 2017

BOROUGH OF EMMAUS
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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FRANCE, ANDERSON, BASILE and COMPANY, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Borough Council
Borough of Emmaus, Pennsylvania

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Emmaus, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Borough's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for

the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Emmaus, Pennsylvania, as of December 31, 2017, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Emmaus, Pennsylvania's basic financial statements. The budgetary comparison information on page 43, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2018, on our consideration of the Borough of Emmaus, Pennsylvania's internal control over financial reporting and our tests of its compliance

with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Borough of Emmaus, Pennsylvania's internal control over financial reporting and compliance.

Trance, Anderson, Basile and Company, P.C.

Emmaus, Pennsylvania
August 22, 2018

BOROUGH OF EMMAUS
STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2017

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 2,108,725	\$ 561,049	\$ 2,669,774
Internal balances	62,604	(62,604)	0
Other assets	0	0	0
Total Current Assets	<u>2,171,329</u>	<u>498,445</u>	<u>2,669,774</u>
Capital assets:			
Buildings, land & improvements	8,677,764	0	8,677,764
Machinery & equipment	5,295,620	0	5,295,620
Recreation	1,456,312	0	1,456,312
Water/sewer system, net	0	1,815,429	1,815,429
Total Capital Assets	<u>15,429,696</u>	<u>1,815,429</u>	<u>17,245,125</u>
Total Assets	<u>17,601,025</u>	<u>2,313,874</u>	<u>19,914,899</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Payroll taxes withholdings	1,096	0	1,096
Current portion of long-term debt	624,860	0	624,860
Total Current Liabilities	<u>625,956</u>	<u>0</u>	<u>625,956</u>
Noncurrent Liabilities:			
Developer escrows	57,318	0	57,318
Other liabilities	76,896	0	76,896
Long-term debt, net of current portion	4,665,810	0	4,665,810
Total Noncurrent Liabilities	<u>4,800,024</u>	<u>0</u>	<u>4,800,024</u>
Total Liabilities	<u>5,425,980</u>	<u>0</u>	<u>5,425,980</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	10,139,026	1,815,429	11,954,455
Restricted	826,449	0	826,449
Unrestricted	<u>1,209,570</u>	<u>498,445</u>	<u>1,708,015</u>
Total Net Position	<u>\$12,175,045</u> =====	<u>\$ 2,313,874</u> =====	<u>\$14,488,919</u> =====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

			<u>Program Revenues</u>	
			Operating	Capital
		Charges for	Grants and	Grants and
	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>	<u>Contributions</u>
<u>Governmental Activities</u>				
General government	\$ 649,335	\$ 96,211	\$ 16,610	\$ 64,876
Public safety	4,168,643	938,329	319,795	208,491
Public works	2,040,218	1,224,108	467,118	36,000
Culture and recreation	523,378	201,859	0	0
Community development	1,500	0	0	12,500
Employee benefits	2,314,116	0	102,243	0
Insurance and miscellaneous	139,485	0	0	0
Interest & debt related expenses	124,237	0	0	0
Total Governmental Activities	<u>\$ 9,960,912</u>	<u>\$2,460,507</u>	<u>\$ 905,766</u>	<u>\$ 321,867</u>
<u>Business-type Activities</u>				
Water	\$ 1,074,807	\$ 999,973	\$ 0	\$ 0
Sewer	<u>959,151</u>	<u>1,325,333</u>	<u>0</u>	<u>0</u>
Total Business-type Activities	<u>\$ 2,033,958</u>	<u>\$2,325,306</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$11,994,870</u>	<u>\$4,785,813</u>	<u>\$ 905,766</u>	<u>\$ 321,867</u>
	=====	=====	=====	=====

Property taxes, levied for general purposes
Property taxes, levied for fire protection
Other taxes levied for general purposes
Licenses and permits
Fines and forfeits
Investment earnings
Miscellaneous income
Gain (loss) on disposal of assets
Transfers between activities

Total general revenues

Change in net position

Net position, January 1

Net position, December 31

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF ACTIVITIES - CASH BASIS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

Net (Expense) Revenue and Changes in Net Position

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (471,638)	\$ 0	\$ (471,638)
(2,702,028)	0	(2,702,028)
(312,992)	0	(312,992)
(321,519)	0	(321,519)
11,000	0	11,000
(2,211,873)	0	(2,211,873)
(139,485)	0	(139,485)
<u>(124,237)</u>	<u>0</u>	<u>(124,237)</u>
 \$ (6,272,772)	 \$ 0	 \$ (6,272,772)
 \$ 0	 \$ (74,834)	 \$ (74,834)
<u>0</u>	<u>366,182</u>	<u>366,182</u>
 \$ 0	 \$ 291,348	 \$ 291,348
 \$ (6,272,772)	 \$ 291,348	 \$ (5,981,424)
 3,931,261	 0	 3,931,261
499,029	0	499,029
2,090,010	0	2,090,010
200,633	0	200,633
60,071	0	60,071
207,467	2,605	210,072
130,925	0	130,925
(83,141)	0	(83,141)
<u>256,022</u>	<u>(256,022)</u>	<u>0</u>
 \$ 7,292,277	 \$ (253,417)	 \$ 7,038,860
 1,019,505	 37,931	 1,057,436
 \$ 11,155,540	 \$ 2,275,943	 \$ 13,431,483
 \$ 12,175,045	 \$ 2,313,874	 \$ 14,488,919
 =====	 =====	 =====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

<u>ASSETS</u>	<u>General</u>	<u>Fire</u>	<u>Liquid Fuels</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$1,164,881	\$ 273,770	\$ 320,676	\$ 349,271	\$ 127	\$2,108,725
Due from other funds	1,195,918		12,168	42,663		1,250,749
Other assets						0
Total Assets	\$2,360,799	\$ 273,770	\$ 332,844	\$ 391,934	\$ 127	\$3,359,474

LIABILITIES AND FUND BALANCES

<u>LIABILITIES:</u>						
Payroll tax withholdings	\$ 1,096	\$	\$	\$	\$	\$ 1,096
Due to other funds	9,562		22,280	1,156,303		1,188,145
Developer escrows	57,318					57,318
Other liabilities	76,896					76,896
Total Liabilities	144,872	0	22,280	1,156,303	0	1,323,455

FUND BALANCES:

Nonspendable	1,156,303					1,156,303
<u>Restricted for:</u>						
Public safety		273,770				273,770
Public works			310,564			310,564
Debt service					127	127
<u>Committed:</u>						
Public safety	17,816			24,607		42,423
Public works				199,565		199,565
Unassigned	1,041,808			(988,541)		53,267
Total Fund Balances	2,215,927	273,770	310,564	(764,369)	127	2,036,019

Total Liabilities and
Fund Balances

	\$2,360,799	\$ 273,770	\$ 332,844	\$ 391,934	\$ 127	\$3,359,474
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Fire	Liquid Fuels	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Taxes	\$6,021,271	\$ 499,029	\$	\$	\$	\$ 6,520,300
Licenses and permits	200,633					200,633
Fines and forfeits	60,071					60,071
Interest and rents	201,921	119	4,216	1,201	10	207,467
Intergovernmental revenues	645,478	256,673	325,482			1,227,633
Charges for service	2,457,579	2,928				2,460,507
Miscellaneous revenues	138,600	5,725		9,000		153,325
Total Revenue	<u>9,725,553</u>	<u>764,474</u>	<u>329,698</u>	<u>10,201</u>	<u>10</u>	<u>10,829,936</u>
EXPENDITURES						
Current						
General government	623,963		275	25,097		649,335
Public safety	3,498,878	618,133		17,893	33,739	4,168,643
Public works	1,797,626		155,961	86,631		2,040,218
Culture and recreation	507,725			15,653		523,378
Community development	1,500					1,500
Employee benefits	2,314,116	295				2,314,116
Insurance and miscellaneous	139,190					139,485
Debt service - principal retirement					596,654	596,654
Debt service - interest & fiscal charges	7,636	76,559	63,800	506,645	124,237	124,237
Capital outlay	<u>8,890,634</u>	<u>694,987</u>	<u>220,036</u>	<u>651,919</u>	<u>754,630</u>	<u>654,640</u>
Total Expenditures						<u>11,212,206</u>
Excess (deficiency) of revenues over (under) expenditures	<u>834,919</u>	<u>69,487</u>	<u>109,662</u>	<u>(641,718)</u>	<u>(754,620)</u>	<u>(382,270)</u>
OTHER FINANCING SOURCES (USES)						
Proceeds of general long-term debt						
Operating transfers in				868,410	161,184	161,184
Operating transfers out	<u>(1,194,251)</u>	<u>(11,583)</u>			<u>754,630</u>	<u>1,623,040</u>
Total Other Financing Sources (Uses)	<u>(1,194,251)</u>	<u>(11,583)</u>	<u>0</u>	<u>868,410</u>	<u>754,630</u>	<u>(1,367,018)</u>
Net change in fund balances	<u>(359,332)</u>	<u>57,904</u>	<u>109,662</u>	<u>226,692</u>	<u>10</u>	<u>34,936</u>
FUND BALANCES, JANUARY 1	<u>2,575,259</u>	<u>215,866</u>	<u>200,902</u>	<u>(991,061)</u>	<u>117</u>	<u>2,001,083</u>
FUND BALANCES, DECEMBER 31	<u>\$2,215,927</u>	<u>\$ 273,770</u>	<u>\$310,564</u>	<u>\$ (764,369)</u>	<u>\$ 127</u>	<u>\$ 2,036,019</u>

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2017

Net Change in Fund Balances - Governmental Funds \$ 34,936

Amounts reported for governmental activities
in the statement of activities are different
because:

Governmental funds report capital outlays as
expenditures. However, in the statement of
activities, the cost of those expenditures is
not reported but treated as a capital asset
on the statement of net position. The capital
outlay for the current year is \$654,640. 654,640

In the statement of activities, the gain/loss on
the disposal of assets is reported, whereas in the
governmental funds, the proceeds from the sale
increase financial resources. The change in net
position differs from the change in fund balance by
the cost of the disposed assets of \$(105,541), net
of related accumulated depreciation of \$0. (105,541)

Issuance of long-term debt (e.g. notes) provides
current financial resources to governmental funds,
while the repayment of the principal of long-term
debt consumes the current financial resources of
governmental funds. However, neither transaction
has an effect on net position. Repayment of note
and installment loan principal is an expenditure
in the governmental funds, but the repayment
reduces long-term liabilities in the statement of
net position. The effect of these transactions
in the statement are shown below:

Proceeds extended term financing	\$ (161,184)	
Repayment of debt service principal	596,654	435,470

Change in Net Position of Governmental Activities	\$ 1,019,505 =====
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The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF NET POSITION - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2017

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Proprietary</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
<u>ASSETS</u>			
<u>Current Assets:</u>			
Cash and cash equivalents	\$ 229,799	\$ 331,250	\$ 561,049
Due from other funds		199,494	199,494
Total Current Assets	<u>229,799</u>	<u>530,744</u>	<u>760,543</u>
<u>Noncurrent Assets:</u>			
Water system, net of accumulated depreciation	1,528,898		1,528,898
Sewer system, net of accumulated depreciation		286,531	286,531
Total Assets	<u>\$1,758,697</u> =====	<u>\$ 817,275</u> =====	<u>\$2,575,972</u> =====
<u>LIABILITIES</u>			
Due to other funds	\$ 236,223	\$ 25,875	\$ 262,098
Installment loan payable	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>236,223</u>	<u>25,875</u>	<u>262,098</u>
<u>NET POSITION</u>			
Net investment in capital assets	1,528,898	286,531	1,815,429
Unrestricted	<u>(6,424)</u>	<u>504,869</u>	<u>498,445</u>
Total Net Position	<u>\$1,522,474</u> =====	<u>\$ 791,400</u> =====	<u>\$2,313,874</u> =====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Enterprise Funds</u>		<u>Total</u>
	<u>Water</u>	<u>Sewer</u>	<u>Proprietary</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
OPERATING REVENUES			
Charges for services	\$ 999,973	\$1,325,333	\$2,325,306
Total Operating Revenues	<u>999,973</u>	<u>1,325,333</u>	<u>2,325,306</u>
OPERATING EXPENSES			
Salaries, wages and benefits	560,361	490,656	1,051,017
Contractual services	278,999	413,769	692,768
Supplies	42,040	6,403	48,443
Materials	17,856	5,269	23,125
Utilities	86,715	4,297	91,012
Depreciation	88,733	38,697	127,430
Total Operating Expenses	<u>1,074,704</u>	<u>959,091</u>	<u>2,033,795</u>
Operating Income (Loss)	<u>(74,731)</u>	<u>366,242</u>	<u>291,511</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	1,643	962	2,605
Interest expense	<u>(103)</u>	<u>(60)</u>	<u>(163)</u>
Total Nonoperating Revenues	<u>1,540</u>	<u>902</u>	<u>2,442</u>
Net Income (Loss) Before			
Operating Transfers	(73,191)	367,144	293,953
Operating Transfers	<u>(29,102)</u>	<u>(226,920)</u>	<u>(256,022)</u>
Change in Net Position	(102,293)	140,224	37,931
Net Position -			
Beginning of Year	<u>1,624,767</u>	<u>651,176</u>	<u>2,275,943</u>
Net Position -			
End of Year	\$ 1,522,474	\$ 791,400	\$2,313,874
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF CASH FLOWS - CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Enterprise Funds</u>		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (74,731)	\$ 366,242	\$ 291,511
Item not requiring cash			
Depreciation	<u>88,733</u>	<u>38,697</u>	<u>127,430</u>
Subtotal	<u>14,002</u>	<u>404,939</u>	<u>418,941</u>
(Increase) decrease in due - from other funds	0	0	0
Increase (decrease) in due - to other funds	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Flows From Operating Activities	<u>14,002</u>	<u>404,939</u>	<u>418,941</u>
CASH FLOWS FROM NONCAPITAL ACTIVITIES			
Operating transfers	<u>(29,102)</u>	<u>(226,920)</u>	<u>(256,022)</u>
Net Cash Flows From Noncapital Activities	<u>(29,102)</u>	<u>(226,920)</u>	<u>(256,022)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Additions to water/sewer systems	(116,850)	0	(116,850)
Interest expense	(103)	(60)	(163)
Repayment of installment loan	<u>(14,901)</u>	<u>(8,607)</u>	<u>(23,508)</u>
Net Cash Flows From Financing Activities	<u>(131,854)</u>	<u>(8,667)</u>	<u>(140,521)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest income	<u>1,643</u>	<u>962</u>	<u>2,605</u>
Net Cash Flows From Investing Activities	<u>1,643</u>	<u>962</u>	<u>2,605</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(145,311)	170,314	25,003
Cash and Cash Equivalents, January 1	<u>375,110</u>	<u>160,936</u>	<u>536,046</u>
Cash and Cash Equivalents, December 31	\$ 229,799	\$ 331,250	\$ 561,049
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF NET POSITION - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2017

	<u>Police Pension Plan</u>	<u>Employee Pension Trust</u>	<u>Total Fiduciary Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 211,660	\$ 234,953	\$ 446,613
Investments, at fair value:			
Mutual funds	7,353,083	6,875,597	14,228,680
Total investments	<u>7,353,083</u>	<u>6,875,597</u>	<u>14,228,680</u>
Due from police pension plan	0	79,920	79,920
Accrued income	<u>172</u>	<u>195</u>	<u>367</u>
Total Assets	<u>7,564,915</u>	<u>7,190,665</u>	<u>14,755,580</u>
<u>LIABILITIES</u>			
Due to employee pension trust	<u>79,920</u>	<u>0</u>	<u>79,920</u>
Total Liabilities	<u>79,920</u>	<u>0</u>	<u>79,920</u>
<u>NET POSITION</u>			
Restricted for pension benefits	\$7,484,995 =====	\$7,190,665 =====	\$14,675,660 =====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
STATEMENT OF CHANGES IN NET POSITION - CASH BASIS
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2017

	Police Pension Plan	Employee Pension Trust	Total Fiduciary Funds
<u>ADDITIONS:</u>			
Contributions,			
Employer	\$ 393,274	\$ 473,194	\$ 866,468
Employee	32,187	55,707	87,894
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Contributions	<u>425,461</u>	<u>528,901</u>	<u>954,362</u>
Investment income,			
Net appreciation in fair			
value of investments	808,724	747,868	1,556,592
Interest and dividends	<u>143,244</u>	<u>133,478</u>	<u>276,722</u>
	951,968	881,346	1,833,314
Less: investment expenses	<u>0</u>	<u>0</u>	<u>0</u>
Net Investment Income	<u>951,968</u>	<u>881,346</u>	<u>1,833,314</u>
Miscellaneous income	0	0	0
Total Additions	<u>1,377,429</u>	<u>1,410,247</u>	<u>2,787,676</u>
<u>DEDUCTIONS:</u>			
Benefits	454,494	207,130	661,624
Administrative expenses	36,827	32,650	69,477
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Deductions	<u>491,321</u>	<u>239,780</u>	<u>731,101</u>
Change in net position	886,108	1,170,467	2,056,575
Net position restricted			
for pension benefits,			
Beginning of year	<u>6,598,887</u>	<u>6,020,198</u>	<u>12,619,085</u>
End of year	<u>\$7,484,995</u>	<u>\$7,190,665</u>	<u>\$14,675,660</u>
	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

BOROUGH OF EMMAUS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 Summary of Significant Accounting Policies

The accounting policies and accompanying financial statements of the Borough of Emmaus (the Borough) conform to the cash basis of accounting as applicable to governmental units. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Accounting principles generally accepted in the United States of America include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Principles Determining Scope of Reporting Entity

The Borough Council, a seven member group, and a Mayor, is the level of government responsible for providing a full range of municipal services including those mandated by statute or ordinance. These include public safety, highways and streets, culture and recreation, public improvements, planning and zoning, and general administrative services. The Borough receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities.

In evaluating how to define the Borough, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth by GASB Statement 14, as amended. The criteria for including a potential component unit within the financial reporting entity is the significance of the potential component unit's operational or financial relationship with the Borough. Based upon the application of these criteria, there are no component units to be included in the financial reporting entity of the Borough.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Borough as a whole excluding fiduciary activities such as employee pension plans and developer escrow funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

BOROUGH OF EMMAUS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined in item b. below.

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the cash basis of accounting is used as appropriate:

a. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

b. The proprietary fund utilizes an economic resources measurement focus. The accounting objectives of this measurement

BOROUGH OF EMMAUS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus (Continued)

focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide and fund financial statements, governmental and business-like activities are presented using the cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

Financial Statement Presentation

The Borough reports the following governmental fund types:

The General Fund is the general operating fund of the Borough. Substantially all tax revenues, federal and state aid (except revenues and aid restricted for use in the Special Revenue Fund) and other operating revenues are accounted for in the General Fund. This fund also accounts for expenditures and transfers as appropriated in the budget which provides for the Borough's day-to-day operations.

The Fire Fund and State Liquid Fuels Highway Aid Fund (Liquid Fuels Fund) are the Borough's special revenue funds. Special Revenue Funds are used to account for the proceeds of specific revenue sources other than expendable trusts, or major capital projects that are legally restricted to expenditures for specific purposes.

The Capital Projects Fund accounts for resources used to construct or acquire fixed assets and capital improvements. Resources of the Capital Projects Fund are derived principally from operating transfers, long-term debt proceeds and investment earnings.

BOROUGH OF EMMAUS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

The Debt Service Fund accounts for the accumulation of resources for, and payment of, interest and principal on long-term obligations.

The Borough reports the following enterprise fund types:

The Water Fund and Sewer Fund are the Enterprise Funds. Enterprise Funds account for the provisions of water and sewer services to some residents of the Borough. All activities necessary to provide such services are accounted for in these funds including, but not limited to, administration, operations, maintenance, financing and related debt service, and billings and collections.

The Borough also reports the following fiduciary fund types:

The Police Pension Plan and Employee Pension Trust are used to account for fiduciary resources legally held in trust for the receipt, investment, and distribution of retirement benefits.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or other regulations of other governments.

Fund Balance Reporting

Fund balance is divided into five classifications based primarily on the extent to which the Borough is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

BOROUGH OF EMMAUS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Borough to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Legal enforceability means that the Borough can be compelled by an external party - such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Borough Council. Those committed amounts cannot be used for any other purpose unless the Borough Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classifications may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Borough Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Borough for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amounts that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Borough Council.

BOROUGH OF EMMAUS
NOTES TO THE FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2017

NOTE 1 Summary of Significant Accounting Policies (Continued)

Fund Balance Reporting (Continued)

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Borough applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

OTHER SIGNIFICANT ACCOUNTING POLICIES

Budgets and Budgetary Accounting

The Borough follows these procedures in establishing the budgetary data reflected in the financial statements:

1) In accordance with the Borough Code and Borough procedures, at least thirty days prior to adoption, the Borough Manager submits to the Borough Council, with whom the legal level of budgetary control resides, a proposed budget for the fiscal year commencing the following January 1. The budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. Departments for budgetary purposes are general government, public safety, public works and culture and recreation.

2) Public hearings are conducted to obtain taxpayer comment.

3) By December 31, the budget is legally enacted for all governmental funds through passage of an ordinance. Expenditures for the budget may not legally exceed appropriations and prior year fund balance reserves. This is done as a level of budgetary control.